

- (d) Every Friday afternoon, Hormel Foods shall determine the "Contract Price" for hogs delivered to Hormel Foods during the upcoming week (the following Sunday through Saturday) as follows:
- (1) Hormel Foods will calculate the Guaranteed Minimum Price and the Contract Base Price as set forth above.
  - (2) If the Contract Base Price is less than or equal to the Guaranteed Minimum Price, then the Contract Price shall be equal to the Guaranteed Minimum Price.
  - (3) If the Contract Base Price is greater than the Guaranteed Minimum Price, then the Contract Price shall be equal to the midpoint between the Contract Base Price and the Guaranteed Minimum Price.
  - (4) For hogs delivered to buying stations, the plant delivered Contract Price will be adjusted by the station delivered freight discount in effect at the time of delivery.
  - (5) Refer to Exhibit A for examples of determining the Contract Price.
- (e) The Contract Price will then be used in connection with Hormel Foods' Grade & Yield program in effect at the time of delivery to determine the final amount to be paid to Producer. Grade & Yield premiums and discounts shall be paid to the Producer on the basis of the Contract Base Price calculated in paragraph 2.(c).

### 3. HORMEL FOODS' OBLIGATIONS.

- (a) Hormel Foods agrees to pay Producer on a guaranteed minimum basis as set forth in paragraph 2. for the entire term of the Agreement.
- (b) Inspection, sorting and weighing shall be performed by Hormel Foods at the delivery location or the plant. All hogs delivered under this Agreement must weigh at least two hundred twenty-five (225) pounds. No hogs shall be crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery. All hogs shall be priced per Hormel Foods' Grade & Yield Buying Program in effect at the time of delivery, which program is subject to change on thirty (30) days' written notice.
- (c) Hormel Foods shall keep all necessary records with respect to the receipt, weighing and payment of all hogs in accordance with its regular record retention and destruction schedule. At the present time, all scale tickets, P&L's and checks are retained for two (2) years. Producer may inspect such records during normal business hours at locations designated by Hormel Foods upon reasonable notice by Producer to Hormel Foods. Hormel Foods shall supply copies of such records as Producer may reasonably request at Producer's expense.

### 4. PRODUCER'S OBLIGATIONS.

- (a) All hogs delivered hereunder shall be top quality, healthy and wholesome. Producer must have in place a genetic program capable of producing lean, uniform sorted hogs that consistently meet Hormel Foods requirements.